BANKING.

REASONS IN SUPPORT OF A BILL

FOR RENDERING

COUNTRY BANKERS' CIRCULATION INVARIABLE, AND CONVERTIBLE INTO A METALLIC CURRENCY,

AND

For Granting Licences to Chartered Banks.

MOST RESPECTFULLY ADDRESSED TO

THE RIGHT HON. LORD ALTHORP,

CHANCELLOR OF THE EXCHEQUER, AND CHAIRMAN OF THE SECRET COMMITTEE,

APPOINTED BY THE HOUSE OF COMMONS IN SESSION 1832,

" To Inquire into the Expediency of Renewing the Charter of the Bank of England, and to Enquire into the " System on which Banks of Issue in England and Wales are conducted."

BY WILLIAM BROWNE, ESQ.

TO WHICH ARE ADDED,

TABLES,

SHOWING

THE ADVANTAGE WHICH THE BANK OF ENGLAND ENJOYED OVER COUNTRY BANKERS ON THE SCORE OF DUTY;—THE LOSS SUSTAINED BY THE REVENUE ON SEVEN YEARS' BANK OF ENGLAND CIRCULATION:

THE BANK MODE OF COMPUTING THE DUTY ;

A COMPARISON AND RESULT OF WITHDRAWING THE SMALL NOTES, AND THE EFFECT OF THE COMPOSITION ACT, 9 GEO. IV. CAP 23, FOR FOUR YEARS PRIOR TO AND FOLLOWING THE PANIC OF 1825;

THE PROPORTION THE SMALL NOTES BORE TO THE LARGE, AND THE DUTY LOST THEREBY;

AND

A Balance Sheet of the Bank of England,

PUBLISHED AUG. 16, 1832.

LONDON:

HATCHETT AND SON, PICCADILLY; F. WILSON AND J. CHAPPEL, ROYAL EXCHANGE; J. R. KENNETT, GREAT QUEEN-STREET, LINCOLN'S INN FIELDS.

Printed by Joseph Rogerson, 19, Old Boswell Court.

1832.

"Every syllable issued by the Governor of the Bank is a direct appeal to the people of England, "*against the continance* of the BANK CHARTER, *for a* SINGLE DAY! The PUBLIC SAFETY must not be "lost sight of, for the claims of ANY class of individuals. We ask, ought twenty-four Merchants, (we "believe the SECRET *Committee of the Bank does not exceed* THREE,) to possess the power of raising or "depressing prices; of extending or contracting Private Credit; of *driving gold from England;* or "*forcing it suddenly back again;* of advancing to the King's Ministers what sum they please; of "managing the business of the Bank, upon the '*Principles* of a POLITCAL CONCERN?' We affirm, that "no power so awful, was *ever before* lodged in the hands of ANY CORPORATION, that has yet existed in "in a FREE COUNTRY?"—TIMES.

TO

THE RIGHT HON. LORD ALTHORP,

CHANCELLOR OF THE EXCHEQUER, AND CHAIRMAN OF THE SECRET COMMITTEE TO ENQUIRE INTO THE EXPEDIENCY OF RENEWING THE CHARTER OF THE BANK OF ENGLAND, &c. &c.

My Lord,

Having had the honour to submit to the Lords of the Treasury, " A Plan for the Regulation of Country Bankers," but more especially the *mode* by which the extent of the Paper Circulation of the United Kingdom, could be accurately and speedily ascertained, (which suggestions have partially been incorporated in the Act of the 9 Geo. 4, cap. 23, which enables Bankers to compound for stamps,) I am encouraged to address your Lordship, and most respectfully to submit to the consideration of His Majesty's Ministers, the following reasons for establishing a New Currency, by which the Bank Note circulation might be placed on an invariable and solid basis, and immediately convertible into a Metallic Currency at least, during such a period, that no restriction be imposed on the Bank of England. My plan will also combine the means of enabling the Lords of the Treasury to ascertain the extent of the Bank Note circulation of the United Kingdom, (distinguishing the circulation of Ireland and Scotland, from that of England), at any time when required, within the short space of 10 or 14 days. This will afford a protection to the lower classes against severe loss to which they are exposed, and who have no possible means of guarding themselves against loss, or the option of refusal. It will be the means of restoring confidence to the agricultural, manufacturing, and commercial districts; it will facilitate the means of collecting the taxes, and of increasing the Revenue, to an amount, I will not here venture to state, and which might be improved in proportion to the increased circulation, independent of collateral advantages, such as duty on paper, postages, &c. &c., besides securing to the aid of Government, the resources of the country, in case of war, or any other emergency.

It would be presumptuous in any individual to intrude on your Lordship, theories not founded in practical experience.

The principle on which I have framed the measures I have now the honor to propose, is,—the establishment of Chartered Banks, which have been recognised by the most eminent financiers and statesmen of modern times, and have, in some degree, been tried, and proved of vital importance and advantage to the agricultural, manufacturing, and trading interests of Scotland, where no complaint of distress is heard, whilst England is overwhelmed.

It is admitted that the Country Banking System forms a most important and essential part of commercial economy, and that it has been the medium of very extensive pecuniary transactions throughout the country, on which depended the prosperity of the state; and without which, the public revenue could not have been collected, as I am prepared to shew from acquired experience as late Deputy Receiver-General for Somersetshire; which appointment I held for 5 years prior to the close of the late war, and 5 years subsequent thereto. During that period I collected and paid into the Exchequer upwards of £2,447,000, and without the co-operation of country bankers it could not have been collected, or the quarterly payments ma... regularly into the Exchequer, either during the war ... since.

I cannot elucidate the advantages of the measure now proposed, without alluding to some of the causes which led to the withdrawal of the small Notes from circulation, in April, 1829, instead of deferring that measure, as originally intended, until 1833,—which was no doubt accelerated by the exclusive privilege and monopoly of the Bank of England.

The irresponsibility of the Directors of this establishment for their conduct, and non-liability to any controlling power, proves a serious evil, inasmuch, as under any circumstances of public distress, real or artificial, the Directors uniformly work it to the advantage of the Bank of England Company, and to the injury of th public; for instance, during the Panic in December, 1825, Bank Stock, shortly before, had been as high as 233 per cent.; on the day when Sir Peter Pole and Co.'s house suspended payment, it was banged down below 200 per cent., and so remained some time reduced in price, *but not in value*, during which large sales were effected, occasioned by the unavoidable distress brought upon Country Bankers by their measures.

To these uncontrolled proceedings must be attributed the greatest part, if not the whole of the distress, bankruptcy, and ruin, brought on the country, from which (as the numerous petitions to the Legislature manifestly proves) it has never recovered.

Many of the most respectable and wealthy Banking-houses, during this panic, were driven to the Gazette. I believe 177 were reported in Parliament to have suspended payment, (which must necessarily have occasioned great defalcation in the public revenue;) of this number, few have paid less than 17s. 6d. in the pound, many 20s., and a considerable number resumed their business, whilst some have paid off and wound up their concerns, as the reduced number of annual licenses shows. So strongly did the conduct of the Bank Directors operate on the minds of Country Bankers, that they are now living in dread of the repetition of these disastrous results, whenever it may suit the interest of these Bank Directors to resort to it. Others, in self-defence, are compelled to act with the utmost circumspection, consequently to limit their discounts and accommodation, and constrain their issues. This was, and still is, one real cause of the distress which continues to affect the country.

The disasters which attended the Banking System in Ireland, were greatly increased by the course pursued by the Directors of the Bank of Ireland in 1820. That establishment, by withholding its regular supplies of discount, occasioned the stoppage of 23 Banks, in districts

which are now supplied by the Bank of Ireland branches, and by the Provincial Chartered Bank and Joint-Stock Companies.

In 1797, the sudden contraction of circulation by the Bank of England, occasioned the ruin of 70 Banks, and in that year there were upwards of 1300 bankrupts—an unprecedented number at that period. Mr. Pitt, then Prime-Minister and Chancellor of the Exchequer, created 5 millions of Exchequer Bills, which were issued to the manufacturers, merchants, and agriculturists, on security, and thus restored credit throughout the country.

In Scotland not a single Bank stopped payment during the late Panic of 1825-26,—this was owing to the *chartered privileges* in the constitution of their Banking System. There, the law allows chartered Banks to be established, with a stipulated and fixed capital, and its members unlimited in number; in three Chartered Banks there are 2,205 partners, and with the remainder of 32 Banks, the numbers are 3,231 proprietors, varying; in three Banking Companies the number exceeds 100, six between 20 and 100: 17 short of 20; and there are 133 Branch Banks, (vide the report of the Select Committee.) And since the establishment of the Scotch Banks, there are only 2 instances of failure, where the creditor did not get the whole debt and interest.*

Your Lordship will pardon me for again adverting to the Bank of England, but some facts are I believe unknown to the Treasury—and I beg to state them: during 1824 and part of 1825, the Directors of the Bank of England were acting on most liberal principles, and gave public notice that they would reduce the rate of discount—that they would advance on estates at 4 per cent., (and advanced I believe £1,400,000 on mortgage);—they took in stock to an unlimited amount; they extended their accommodation on Bills beyond three months. All these measures had a tendency to increase their business, consequently to improve their circulation; which is a source of no small profit. The motives for this liberal conduct might be traced to those principles which invariably regulate all monopolists—viz., their interest.

On reference to their Returns of Notes issued out, rendered to the Stamp Office, it appears that the Bank Notes in circulation were—

On the 4th Jan. 1823.. £16,379,530

3d Jan. 1824.. 17,230,799 { In July, 1824, it was £21,660,973. —See Tooke on Currency, p. 42.

1st Jan. 1825.. 20,756,948

Thus an increase on the Bank circulation was effected in one year, viz. on 1st January, 1825, over the corresponding period of 1824, of .. £3,526,149

And in 2 years it was increased 4,377,418

The Bank continued this course till towards June, 1825, when, by the indiscretion of a Bristol Bank, who refused exchanging their notes for gold, a petition was presented to the House of Commons; this frightened the Directors of the Bank of England, and from this and other causes, they secretly, and suddenly, concerted measures to contract their issues, which had been carried to great excess. They then refused to take in stock, or advance on land,—they refused the discount of respectable London Bankers' acceptances, and to advance on their own accepted Bank Post Bills,—they refused discount of bills of the date they previously advertised to do. The country generally were totally ignorant of their plans, and of the ulterior objects contemplated by their manœuvres. All this was effected without any assignable cause or pretext, and as the difficulties thus created increased, they effected a saving of their gold by the stoppage of the Country Banks. This unwarrantable course of procedure enabled a certain great capitalist to reap an abundant harvest, at the expense of the unsuspecting and distressed Banking Community.

The Bank having extended its circulation 3½ millions and upwards, and encouraged speculation, and thus infused a degree of confidence throughout the country, now reduces its circulation 3½ millions in a few months, and by the 15th December, 1825, (the day on which the Mansion House Meeting took place) it is estimated, the circulation of the Bank was further reduced two millions; and thus they effected the stoppage of six or seven London Banking Houses, in one short week. And, as before observed, 177 Country Bankers sustained a temporary suspension, or shared the same fate, and, in their train, upwards of 3,300 bankrupts were Gazetted in one year. It was this that completed the ruin of the country. These proceedings rendered it necessary for the Bank of England to establish their Branch Banks, and the Directors unjustly reported by their Chairman, at a Quarterly Meeting, that—"It was want of discretion in the Country Bankers, which led them to adopt that measure."

While these restrictive operations of the Bank were going on without legislative controul, the demand for discount increased on the Country Bankers, for as the Bank refused to discount for London Bankers and merchants, the latter sent their Bills to Country Bankers, and there got accommodated; thus, Country Banker's issues, unnaturally increased, in an inverse ratio to the Bank of England contraction, as appears by the Stamp Office Returns of Stamps delivered out, and which exhibits a progressive increase, as appears by the official returns to Parliament. Stamps issued to Country Bankers, (*vide* Report, Secret Committee) were as follows:—

In the 1st quarter ending 5th April, 1825, an increase of the amount being........ £2,151,774
2nd quarter, ending 5th July 2,506,539
3rd quarter, ending 10th October... 2,155,754

But the 4th there was a decrease to £1,941,204.

Thus the greatest issue of Country Notes took place during the period the Bank of England reduced theirs. By such fluctuations, conducted with the strictest secrecy, and uncontrouled by the Legislature, the Bank of England can at pleasure, exercise and apply their mighty engine, to subvert and destroy the best interest of the Kingdom, and might even presume to dictate to Government itself, and unless such measures are resorted to, as shall guarantee the Public from such direful consequences, confidence will never revive, or the public credit be restored.

The object of my Plan will be, to guard against the imperfect and insecure ground, on which Country Bankers issue paper; and the injudicious manner in which the Bank of England have been regulated, as to *their* issues. It will, if adopted, be universally admitted, that instead of Country circulation being the "*worst*," that it is the *best* currency for invariability, whilst its convertibility cannot be impeded, and failure will be impossible.

To effect this most salutary and beneficial object, is one of the leading features of the measure I am now desirous of submitting to your Lordship's consideration.

The next, and not less important object, in the Bill, I propose, is to ascertain, at stated periods, or at any time when required, an accurate account of the extent of the Paper currency of the whole Kingdom, a subject upon which the Chancellor of the Exchequer is reported to have said, in the House of Commons, on the discussion of the Small Note Bill, on the 3d June, 1828, that "One great defect attending the circulation of Small Notes in this country, appears to be, that *no measure* had ever been applied, with a view of ascertaining how far that circulation extended. He was quite sure, for want of accurate knowledge on this point, very many evils had arisen," and he was necessarily driven to the Stamp Office Returns for his estimate of the circulation, which every practical man would say is certainly an erroneous data on which to form even a conjecture.

Having foreseen the difficulty in which His Majesty's Ministers were placed in 1825-26, and being aware of the vast importance of the subject at the present time, I have bestowed particular attention, and have already suggested

* Mr. Maberly failed, 1832.

the only practicable remedy, in the letters I had the honor to address to the late Lord Liverpool, and to my Lord Goderich, then Chancellor of the Exchequer, in 1826. It is true my suggestions have been *partially* adopted in the Composition Act of 9 Geo. 4, c. 23, but neither the object required by His Majesty's Ministers, namely, the extent of the circulation, or contemplated by me, has been attained, owing to the non-introduction of the proper clauses.

With your Lordship's permission, I will again submit my plans in detail, which I am convinced, by 35 years experience as a Banker, will be found to effect that desirable object completely, and, if adopted by His Majesty's Government, I pledge my veracity to ascertain most accurately the Country Bank circulation; in no other way than that which I have proposed, can the extent of the Bank Note circulation of England, Ireland, and Scotland, be correctly ascertained.

The amount of capital which I propose to be raised by the Chartered Banks in England and Wales, allowing one for each county, with collateral branches established in populous districts and cities, I estimate at 6 millions; that sum is considered a sufficient capital, being about 10 per cent on the real property, as assessed under Schedule A, in 1815. Each county, it is presumed, would subscribe its respective quotas on that scale. The total amount of which was £52,000,000.

This 10 per cent. would amount to	£5,200,000
To which I would add for extra capital viz.	
Bristol, Manchester, and Manufacturing Counties..........................	800,000
Making....	£6,000,000

as appears detailed in Schedule A, annexed to the proposed Bill.

The Chancellor of the Exchequer, at the time before referred to, (3rd June, 1828) estimated the Country circulation at £15,400,000: this included 2,400,000 small Notes.

Supposing 10 per cent to be subscribed on the estimated value of the real estates in England and Wales, say £5,200,000, and allowing each Chartered Bank to issue paper for three times more than the subscribed capital, it would produce a circulating currency of £15,600,000; and this may be considered a fair ratio to estimate the amount required, to which I would add, for the extra capital of £800,000, which by 3 would give, say £2,400,000, making together 18 millions.

I estimate £6,000,000 more will be added to the circulating medium, being the amount of deposits to which extent Notes might be issued. This would make £24,000,000 *to the use of the Manufacturer, Agriculturist, and Trader*, and I think this would be equal to the sum required to carry on the operations of the country as regards Local Bank Paper. I reckon, of this sum, the Bankers would employ ½ or 5-8ths in Bank Chartered Exchequer Bills, (to be created) say 12 millions for (£——), I propose should be required to be vested in Government Security, which should never fluctuate in real value, the Government being always bound to pay the amount originally received, viz. at par., and for all taxes and revenue of every description; after a given date, these Bills might be paid to, and received by Receivers or Collectors of Excise or Customs, and Receiver-General of Taxes.

The Bank Chartered Exchequer Bills to bear an interest of 1½d. per cent per diem, or about 2¼ per cent. per annum; renewal at the pleasure of the Government.

These means would furnish Ministers with a permanent loan of twelve millions, renewable after the expiration of a stipulated date, say ( ) months.

The revenue would thus be improved by the duty payable on the notes circulated, which estimated on the *actual amount* received for the last four years immediately preceding January, 1826, will be found to be equal to "£348,672."—taking for granted the estimates of the late Chancellor of the Exchequer to be correct on a circulation under 20 millions.

I beg to enumerate some of the advantages to be derived by the Government, should it legalize Chartered Banks on the principles I propose; it will restore confidence and a circulating medium, show that Country Bankers are of essential service to the revenue of the State as well as to the trading interest; in illustration thereof, I beg to submit the following calculations as applicable to this point alone:—

In 1825, the notes stamped amounted to the nominal value of £8,755,309. The gross amount stamped in four years following, viz. 1826, 1827, 1828 and 1829, was £9,617,074, to which may be added a trifling amount of unstamped notes.

That the stamps issue to Country Bankers in Great Britain, for the years 1826, 1827, 1828 and 1829, were of the following value.

	No. stamped.		£.	Duty paid. £.	s.	d.
Duty paid on	970964	1*l*. notes	970,964	20,228	8	4
,,	1122791	5	5,613,970	70,174	12	6
,,	219196	10	2,191,960	19,179	13	0
,,	26940	20	538,800	2,694	0	0
,,	556	30	16,680	83	8	0
,,	1528	50	76,400	305	12	0
,,	2083	100	208,300	885	5	6
Nominal amount of Notes issued			£9,617,074 dy.	£113,550	19	4
The value of unstamped Notes and Bills of Exchange, for which 7s per ct. composition has been paid under the 9th Geo.IV, c. 23, is on 1,219,629				4,268	12	0
Amount of four year's duty ...				117,818	0	0
The duty paid on Country Bankers' Notes alone, exclusive of Stamps on Bills of Exchange in 1825, ending 5th of January, 1826, was in one year				121,976	0	0
The surplus revenue in 1825, exceeding the revenue of the four succeeding years, by . .				£4,158	0	0

That during the last four years the duty on the Bankers' Notes Stamps alone, compared with the four preceding years, was £230,000 minus. I would most respectfully recommend for these reasons the repeal of the 9 Geo. IV, c. 23, and allow Bankers to pay as formerly: but pass an Act to ascertain the extent of the Country Bank Note circulation.

I also beg to refer to the evidence taken by the Committee of Secrecy, in March, 1797, as affording ample proof, particularly that of William Boyd, Esq., p. 35 and 39. And also to the Resolutions of a Committee of Merchants on the subject of discounts, in the appendix p. 115. Also to the Reports printed by order of the House of Commons in 1826.

A certain portion of the intended capital it is proposed shall be invested in Government Securities for the benefit of the Public, not to be alienated.

The amount vested in Exchequer Bills would enable Government to be less dependent on the Bank of England, and thus create a controuling influence which they do not now possess.

The Bank might be compelled to abate the interest on the Debt owing by Government, from 3 per cent. to 2½ per cent., and thus save upwards of £73,000 per annum, and save also £350,000 per annum for management, which the New Bank would do gratuitously.

It would bring about 52 Chartered Country Banks to the aid of Government, to whom it might look for support in case of need, instead of (as in Mr. Pitt's time) to only one Chartered Bank.

It will identify the National Currency with the national credit, as Government will, to a certain extent, be their debtors.

It would, in case of war, place the means and resources of the country at the service, and under the protection of Government.

It will give the Ministers periodically a knowledge of the state of the affairs of the Chartered Banks, or, on an emergency, similar to that occasioned by the Bank of

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England in February, 1797, the Government could with safety, extend protection to *all*, without exclusion—without risk—the benefits would alike extend to the whole commercial establishments of the United Kingdom, while it would unite the Government, the landed and monied interest, in one indissoluble bond, and in war, defeat the expectations of an invading army.

The plan I propose for adoption will prevent another Restriction Act from becoming necessary, by the confidence placed in Chartered Banks, which otherwise must inevitably be the case if the present system of Bank monopoly is allowed to exist, and Branch Banks, as now constituted, are not suppressed; for if the Bank of England should be called on to pay specie, small notes must again be resorted to, and the tragedies of 1793, 1797, 1804, 1810, 1816, and 1825-26, will be, to a certain extent, re-acted; for the Directors of the Bank of England will never be satisfied until they are in possession of the whole circulation of the country.

It will prevent large quantities of gold from being hoarded, which is the invariable effect of panic; to this was attributed the drain on Country Banks in 1797, and the subsequent years above stated, and consequently and ultimately on the Bank of England. The proposed measure will operate advantageously on subscribers to the Chartered Banks, particularly on merchants in maritime districts, who will instruct their captains and agents to bring bullion to the country, seeing it is an article of merchandise; that it can be used as a deposit and valued upon immediately. Merchants will import, when the Bank of England will not; it will thus prove a feeder to the Bank, as the Customs, Excise and Taxes, will, more or less, be paid in the precious metals.

The Merchant will not depend on the Bank of England for discount; it will prevent alarm and distrust, and induce timid persons to hold notes, instead of converting them into gold.

It will compel the Bank of England to pursue a different line in conducting their future business from that adopted since 1795, particularly as to the quantity of discounts, as the many Chartered Banks will afford facilities for discount, and give a circulating medium adequate to any increase in price of corn and cattle, or other merchandize.

The Merchant and Manufacturers might always rely for accommodation by discount, as the value of a certain portion of the Export and Import trade require, which is both reasonable and necessary, and this may be afforded without risk.

As to the proposed *Chartered Bank Exchequer Bills*, they should be made payable to *order* or in *blank*, as at present, but in case of alarm and distrust by an Order in Council, they, on emergency, (of which the Government would be the sole judges) should be ordered to be circulated, to supply the place of withdrawn Chartered Bank Notes. After a while, the principle of Banking, and operations of trade, would gradually restore the Note circulation, and Chartered Exchequer Bills would find their way to the Bank again.

Should small Notes be found hereafter to be expedient and necessary, Government might guarantee the value by a stamp impression on the face of each Note, being indemnified by deposit of Chartered Exchequer Bills.

Provision should be made for a Chartered Banking Company in London, to transact the business of the Country Banks, as it would be desirable that the specie which would be useless in the Country Banks, should be deposited in the London Bank; a large quantity of superfluous specie would be collected by these means, and which should be returned if necessity required it.

The frauds by Fauntleroy,—the constant mis-application of partnership funds by private partners,—against which the laws afford no protection, suggests that it would be unsafe to be without such a constituted Bank in London. The last London Bankers who failed, Messrs. Fry's and Chapman, were debtors to the Public upwards of £400,000; they were £130,000 minus to the Bank creditors, although each partner professed he had a surplus private estate. Three Country Bankers are reported to have proved £170,000 on their estate, *viz.* one for £90,000, another for £45,000*l*, and a third for £35,000. Remmingham, Stephenson and Co., the month after failed for £425,000; and, as reported, the London Life Assurance Company suffered to the extent of £39,000 stock, and £12,000 cash balance. The private deficiencies of Stephenson were immense. The failures of these two Banks affected 47 other Country Banks, who kept cash accounts with them, and sustained heavy losses. And the recent failure of Sir T. Duckworth, Sir J. Moreland, and Co.'s Bank, affords additional reasons for Legislative interference.

The stoppage of six or seven London Banking Houses by the Bank of England, and which produced the panic through the country in December, 1825-26, caused the suspension of payment of 177 Banks; thus upwards of 220 houses were involved in the short space of three years.

The Scotch and Irish Chartered Banks are evidence of the utility of Joint Stock Companies. And by a recent report of the 2d Annual Meeting of the Huddersfield Banking Company, it appears the capital is £100,000, and the subscribed capital £50,000 and they divided 6 per cent.

The Commercial Bank of Scotland, established in 1810, subscribed a capital of £600,000, and they have divided from six to eight per cent.; its stock is at 50 per cent. premium, and its capital is accumulating by a reserved fund.

The Bank of Scotland and Royal Bank Stock, the Capital is £1,500,000, bears from 90 to 140 per cent. premium.

The British Linen Company commenced with £100,000, by its profits accumulating, or further subscription, the capital doubled; it has now a reserved fund amounting to £300,000. It has a charter, and £1,500,000 capital, and bears a premium of 200 per cent.

In Ireland, the Provincial Irish Bank derived much benefit from private Banks, at starting many of them applied for agencies, the capital subscribed was £2,000,000, *viz.*, 20,000 shares of £100 each, and the Government showed every readiness to co-operate in the measure. The capital paid in, amounts to £500,000.

The Bank of Ireland was established in 1783, with a capital of £600,000, four per cent. stock. In 1804, its capital was £1,500,000; it has since added considerably to its original capital by bonuses.

The Bank of England possessed a capital in 1816, of £11,686,800; it paid 10 per cent. dividend during the war, and about the 23rd of May, 1816, declared a bonus of 25 per cent., amounting to three millions, which was added to the capital, making it now £14,686,800; it divides 8 per cent., and bears a premium of £99 to £100 per cent., but lately fell to 85 prem.

The late Lord Liverpool is reported to have said in the House of Lords, 17th of February, 1826, in reference to the Bank of England Charter and Country Bank Note Acts, "That the present system of Banking Laws in this country was the most absurd that ever was invented; it was in the teeth of all sound policy and common sense; there was one or two systems founded upon reason and good policy, which might be adopted by Banks; let them have a system of condition or security, so that the public had a chance of being secure. In America one of these systems was acted upon. In Massachussetts, they had twelve chartered Banks, and no others allowed; the moment either was unable to pay their notes in specie, it was dis-chartered. The other system was one of entire liability, on which respectable Banks should be established, composed of a number of wealthy individuals, or founded on the principles of Joint Stock Companies. If Chartered Banks were established, they would immediately absorb the whole circulation of the country, by either of these means security would be obtained."

The Marquis of Lansdowne is reported also to have expressed his conviction of the necessity of a sound circulation; the convertibility of paper into cash should be immediate, that the check to improper issues of paper might be resorted to without delay. The lesson of the past three years, taught the necessity of placing the entire

currency on a broad metallic basis. He approved of the measures of Lord Liverpool, the protection of the poor classes should be a primary object. He hoped Banking would be put on a more practical footing. He hoped the Bank of England would not resist such alteration in its charter, as without affecting its own rights, would substitute a sound and secure system of Banking, for an unsound and dangerous one. He had no doubt on reflection such would be the policy of the Bank and Parliament, that in any alteration in the Bank charter, it would be enabled to license Chartered Banks through the country, the *condition of whose charter of limited responsibility* being the *annual publication of their accounts,* all persons would then have an opportunity of constant examination into the affairs of the parties whom they trusted, and the country would have the best system of Banking which commercial security could desire.

The Earl of Lauderdale said he could not find six men, or more, who were ready to embark their whole property with the chance of dividing it to their last shilling, in case of failure.

Lords Ellenborough, Bexley, and other Noble Lords, are reported to have concurred in these sentiments, and the late Lord Redesdale brought in a Bill, making it felony in a private Banker abstracting the Bank funds to his own use, and a misdemeanor in any clerk assisting therein, but it did not pass the Lords, Parliament having been prorogued.

In conclusion, I can confidently assert, that the measures I propose to submit to the consideration of his Majesty's Ministers, if carried into execution, will, in a short time, establish an invariable and convertible Bank note circulation, as far as it is practicable or necessary, of from 50 to 60 millions, and a revenue derivable therefrom, of from £500,000 to £600,000 per annum; a permanent Loan to Government of 12 millions or upwards; a guarantee to the poor against all losses from failure of Banks, which will be impossible, while rents and profits will be restored to their natural maximum, and a stimulus will thus be given to the energies of every class of the community in the country. Soliciting your Lordship's attention to the annexed Tables,

I have the honour to remain, my Lord,

Your Lordship's most obedient Servant,

London, August, 1832. WILLIAM BROWNE.

J. Warwick
Gray's Inn

POSTCRIPT.

Since the foregoing letter was sent to press, a portion of the evidence taken by the Committee on the Bank of England Charter has been published. In the "*Account of Coin and Bullion in the Possession of the Bank,*" it appears that on the 24th of Dec. 1825 (the week of the panic) the liabilities of the Bank, including circulation 20 millions, amounted to £32,403,000—its securities to £35,378,000, of which only £426,000 was in COIN, and £601,000 in BULLION; and this was nine days after the meeting of the Merchants and Bankers at the Mansion House, where it was resolved, "*To withhold drawing on the Bank for Balances, and to pay in all the Gold* they could collect." We also find, notwithstanding this great effort, that on the 28th Feb. 1826, the COIN in the Bank was only £1,043,000, and its Bullion £1,415,000. Their circulation was £25,000,000 on 26th Feb. 1826. "COIN" is a term for "SPECIE," in which only the Bank of England notes could be paid; BULLION is an article of exportable merchandize, not applicable to the payment of Bank notes, any more than the Country Bankers' acres of land, which on such emergency is an *unconvertible property,* and although worth £100 per acre, would not pay his five pound note *when demanded.*

The "account," referred to above, also proves, that as the Bank securities increased, in the same ratio did its liabilities; this latter consisted of notes sent into circulation, and all which securities for liabilities were productive of INTEREST, minus only the *interest* lost on their Coin and Bullion, which are not "breeding" commodities, clearly demonstrating an *unjustifiable principle of avarice,* disgraceful to the character of a Banker. The view taken by the Public Press, being confirmatory of the foregoing statement, I have annexed a few extracts at the end, highly interesting, particularly to Bankers.

W. B.

BALANCE SHEET OF THE AFFAIRS OF THE BANK OF ENGLAND.

Dr, the Bank of England.

Bank Capital (£14,686,800) lent to Government.

To Bank Circulation, viz.:—		
Bank Notes and Post Bills issued......	£20,000,000	
Balance due to Deposit Account	6,000,000	
		£26,000,000
Ditto due to Public Departments and Public Bodies..................................		1,150,000
Total Debits		27,150,000
*Surplus of Profits (undivided)		2,850,000
		£30,000,000

Contra.	Cr.
By value of 585.740*l.* per Annum Pension Annuities expiring 5th April, 1867, at 18¾ years' purchase	£11,000,000
Exchequer Bills	4,000,000
Ditto, issued to cover Deficiencies of Public Revenue	5,000,000
Bills Discounted	1,000,000
Loans to Public Companies, Corporations, &c.......	1,500,000
Mortgages	1,400,000
Cash and Bullion	6,000,000
Aug. 16, 1832.	£30,000,000

ANNUAL DIVIDEND OR PROFIT AMOUNT OF THE BANK OF ENGLAND.

PAYMENTS MADE BY THE BANK.

1. To Dividend Annually paid on the Capital Stock, viz. 8*l.* per cent. on 14,686,800*l.*	£1,174,000
2. Salaries, Pensions, Clerks, and House Expences, loss by Forgeries, &c. &c	203,000
3. Composition paid to Government in lieu of Stamp Duty	70,000
	1,447,000
Balance, being surplus Annual Profit.....	20,000
	£1,467,000

RECEIPTS.

1. Three per Cent. received annually from Government on the Capital	£440,600
2. Four per Cent. on eleven millions invested in Pension Annuity	440,000
3. Interest on five millions Exchequer Bills.........	90,000
4. Ditto on Deficiency Bills	70,400
5. Money received from Government for Management of the Public Debt	260,000
6. Discount received on Bills of Exchange	40,000
7. Interests on Mortgages	56,000
8. Do. on Loans to Public Companies, Corporations, &c	60,000
9. Ditto on Loans for short periods	10,000
	£1,467,000

An account of the Annual Circulation of Country Bankers in England, and the amount of Duty paid by them for seven years, viz.—from 1819 to 1825, both inclusive; also the Annual Amount of the Bank of England Circulation, and the duty paid by them for the same period, showing the loss Government sustained by the Bank Charter, comparing the Duty compounded for in lieu of Stamps, with the Duties paid for Stamps by Country Bankers.

Years.	Circulation of country bankers, ascertain'd from the returns of Notes stamped.	Duty paid at the stamp office by country bankers.	The duty paid per 1000*l*. was equal to the following rates.		Account of the *excess of duty* paid by country bankers, as compared with the Bank of England.	Account of the *excess of duty* paid on country circulation over that of the Bank of England.
	£	£ s. d.	£ s. d.		£ s. d.	£ s. d.
1819	4465092	64754 0 0	14 10 0	The Bank of England only pay a composition of 3,500*l*. per million, that is 3*l*. 10s. per 1,000*l*., with *six months credit*, while the *fractions* under 500,000*l*. *are not subject to any duty*; yet country bankers pay to the very pound, and before their notes are delivered from the Stamp Office.	11 0 0	49505 0 0
20	3493901	54238 0 0	15 10 0		12 0 0	42221 0 0
21	4438548	69252 0 0	15 12 0		12 2 0	54085 0 0
22	4293164	64124 0 0	14 18 6		11 8 6	49423 0 0
23	4479448	67303 0 0	15 0 0		11 10 0	51900 0 0
24	6274069	95267 0 0	14 3 6		10 13 6	73901 0 0
25	8755309	121976 0 0 4 frac.	13 18 6		10 8 6	91967 0 0
Total of 7 years.	36199531	536918 0 0	103 12 6		79 2 6	413002 0 0

	£	Duty. £ s. d.	Average per 1000*l*. £ s. d.		Average of excess. £ s. d.	Average excess.
The average for 7 years is	5171361	76702 0 0	14 16 0		11 6 or	59000*l* per an.
To which add the amount of bankers' licences per annum		26000 0 0	5 10 0		Licence to be added.	26000*l* per an.
The Annual Amount of Revenue paid by country bankers for the 7 years as above is		102702 0 0	20 6 0	N.B. The advantages derived by the revenue on country bankers' notes and licences on a circulation of only 5171000*l*. per annum, beyond what was paid by the Bank of England for the same amount is For the 7 years, no less than .... £	85,000 413,000 per annum.	Total excess. 85000*l*.

Years.	Circulation of the Bank of England, from Returns made to Parliament.	Annual Duty, paid as composition is 3,500*l*. per million, or 70*s*. per 1000*l*, and 6 months credit.	The duty paid per 1000*l*. is 3*l*. 10s. 0d.	Country Bankers would have paid on this circulation at 3*l*. 10s. 0d. per 1000*l*., the following sums.	Supposing the Bank of England to have been charged to the Duty paid by Country Bankers for Stamps, the following would have been the result. The Increase duty at 11*l*. 6s. 0d.	Total of Duties payable by Country Bankers.
	£	£ s. d.	£ s. d.	£	£ s. d.	£ s. d
1819	24697000	85750 0 0	3 10 0	86439	271667 0 0	358106 0 0
20	23692000	82250 0 0	3 10 0	82922	284304 0 0	367226 0 0
21	19632000	68250 0 0	3 10 0	68712	237547 0 0	306259 0 0
22	17772000	61250 0 0	3 10 0	62202	203044 0 0	265246 0 0
23	20500000	71750 0 0	3 10 0	71750	235750 0 0	307500 0 0
24	18500000	64750 0 0	3 10 0	64750	197487 0 0	262237 0 0
25	19000000	66500 0 0	3 10 0	66500	198075 0 0	264575 0 0
	143793000	500500 0 0		503275	1627874 0 0	2131149 0 0
The Average circulation of the Bank of England for 7 Years, was	20542000	The Average of annual duty paid for these 7 years, was 71500*l*.				

Deduct for Composition actually paid by the Bank of England on their Circulation for 7 Years	500,500 0 0
The Loss of Revenue during these 7 Years, as compared with the Duties which Country Bankers would have paid, and if chartered Banks are established, I estimate they will, hereafter, pay is......	1,630,649 0 0
To which must be added the Annual sum paid by the Country Bankers for their Licences, say 26000*l*. per Annum for 7 Years	182,000 0 0
Thus the Government, by the Bank Charter, suffered a *Total loss of Revenue for 7 Years, estimated at*	1,812,649 0 0

The Annual Loss showed by the above scale is.. 232,949*l*.
Ditto. Annual Licences .. .. 26,000*l*.

The Aggregate Annual Loss to the Revenue is...... £258,949 0 0

☞ A copy of the above Calculations was sent to each Member of the Secret Committee on the Bank Charter, 23d July, 1832.

An Account of the Average Amount of Circulation on a 3-qrs. Calculation, on which the Bank of England paid Composition in lieu of Stamp Duties, from Weekly Returns, from 9th April, 1825, to 5th April, 1828.

Description of Notes, average for the Year 1827.	Amount of Circulation. £	s.	d.	The amount of Composition paid by the Bank of England under 55 Geo. 3d, cap. 184, is £3,500 per million.	Duty paid to the Revenue. £.	s.	d.
Bank Notes..............	19,178,582	8	1½		66,125	4	7½
Bank Post Bills	2,122,405	10	11		7,317	15	6
Bills drawn by the Branch Banks................	16,530	3	2¾	Fraction..........	56	19	10¼ ¼
Total....	21,317,518	2	3	Total amount of Composition....	73,500	0	0
				According to the rate of Duty paid by Country Bankers, as illustrated in the annexed account, the Average for 7 years being 14*l*. 16s. 0d. per 1000*l*., it would have amounted to	315,491	12	0
				Which occasioned a loss of Revenue on this single year of	241,991	12	0

The following results are deduced from the foregoing statements and estimates on a seven years average:—

That the Country Bankers' circulation was at that period about one-fourth of that of the Bank of England.

That the Country Circulation paid a duty on 5,171,000*l*. annually of no less than 20*l*. 6s. per 1,000, amounting to 102,700*l*. per annum, while the Bank of England, on a circulation of 20,542,000*l*., paid only 3*l*. 10s. per 1,000; amounting only to 71,500*l*. per annum, which, according to this estimate, is about 570*l*. to 575*l*. for every 100*l*. paid by the Bank of England, or equal to 5,000*l*. to 5,700*l*. for every 1,000*l*. paid by the Bank.

That displacing Country Bankers and substituting Bank of England Branch Banks, was an injudicious monopoly, whereby the Revenue was diminished in proportion to the extent of that measure, by diminishing the circulating medium, at that time so highly productive to the Revenue, while the Bank of England was comparatively unproductive.

That the same beneficial results to the Revenue and to the country arising from Country Banking Circulation cannot be secured unless the Legislature extend to England the same advantages which they have afforded to Scotland and Ireland, and that Chartered Banks be established, unlimited in number and restricted in responsibility, with a well secured one-pound note circulation, and returns made to Government either monthly or quarterly on oath, as may be required.

COUNTRY BANK NOTES.

Comparison and Results shewing the Loss of Duty by the withdrawal of Small Notes, and the operation of the Act of the 9th Geo. IV., c. 23, called the COMPOSITION ACT.

	£	s.	d.		£	s.	d.
In 1822, 23, 24, 25—The amount of duty paid on Notes Stamped was .... (This was preceding the panic of 1825, 26, which occasioned, first, the London Bankers, and, consequently, the Country Bankers, to stop payment.)	348,673	0	3	The total nominal value of notes stamped in 1822-23-24-25 was........... .	23,801,990	0	0
In 1826, 27, 28, 29—The amount of duty paid was only.......................	113,550	19	4	The total nominal value of notes stamped in 1826-27-28-29 was	9,617,074	0	0
The loss in duty on these four years is....	£235,122	0	11	And during this period the amount of notes issued was less than the four former years by......................	14,184,916	0	0

Against this loss of Duty, £4,268 12s. 0d., is the amount estimated to be received under 9 Geo. IV., c. 23, taking the Duty to be on £1,219,629, at 7s. per cent.; but as these amounts include *Notes* and Bills of Exchange, which are not distinguished in the account sent to the Stamp Office, and as only 3s. 6d. per cent. is chargeable on Bills of Exchange, while 7s. is chargeable on *Notes*, it is impossible to arrive at the actual Duty paid on each, or to ascertain what proportion, re-issuable Notes bears to the Bills of Exchange. In the next returns to Parliament, it would be advisable to have this objection removed.

	£	s.	d.
Comparison and results—In 1825, the amount of re-issuable Notes was 8,755,309*l*., the duty paid thereon for one year was.........	121,976	19	0
For the *four* succeeding years, viz., 1826, 27, 28, 29, the amount was 9,617,074*l*., and the Duty paid was	113,550	19	4
The Notes issued being only 862,765*l*. excess on four years, while the Duty was less by	8,425	19	8
Giving the advantage of the whole Duty on Bills of Exchange as above	4,268	3	0
The Duty on Bankers Notes for four years, viz., 1826, 27, 28, 29, was less productive than the Duty received for 1825, by the sum of...........................	4,157	16	8

While the Circulating Medium is lessened in this period, as above stated, 14,184,916*l*., of which a very considerable portion would have remained out, for the use of Traders, the Bank of England Directors have now reduced their circulation to about 16,000,000*l*., which during the above-named four years, averaged about 19,000,000*l*.

An Account shewing the different proportions of Country Bank Notes issued from the Stamp Office, and circulated in England, as compared with the nominal aggregate amount of Notes Stamped for the Country Bankers' Circulation. Also the proportions of Duty paid on the different classes of Notes as compared with the aggregate amount of Duty so paid, the whole being for seven years immediately preceding the panic of 1825, 26, viz., from 1819 to 1825, both inclusive.

The proportion of 1*l.* and 2*l.* notes stamped for Country Bankers, as compared with the aggregate amount issued; also the duty paid thereon.			Notes above 1*l.* & 2*l.*, & Duty Paid thereon.		Notes consisting of 1*l.*, 2*l.*, and 5*l.*, and Duty Paid thereon.		Notes above the value of One, 2*l.*, and 5*l.*, viz. 10*l.* & upwards, and Duty Paid thereon.		Copies of Returns made from the Stamp Office to Parliament for the Years 1819 to 1825.	
Years.	Proportion of Notes Stampt.	Proportion of Duty Paid.	Proportion of Notes Stampt.	Proportion of Duty Paid.	Proportion of Notes Stampt.	Propertion of Duty Paid.	Proportion of Notes Stampt.	Proportion of Duty Paid.	The aggregate nominal amount of Country Notes Stampt.	The aggregate amount of Duty Paid on Notes Stampt.
									£	£
1819	3-7ths.	3-5ths.	4-7ths.	2-5ths.	7-10ths.	6-7ths.	3-10ths.	1-7th.	4,465,092	64,754
1820	$\frac{1}{2}$	2-3rds.	$\frac{1}{2}$	1-3rd.	3-4ths.	9-10ths.	1-4th.	1-10th.	3,493,901	54,238
1821	$\frac{1}{2}$	2-3rds.	$\frac{1}{2}$	1-3rd.	4-5ths.	9-10ths.	1-5th.	1-10th.	4,438,548	69,252
1822	3-7ths.	5-8ths.	4-7ths.	3-8ths.	3-4ths.	7-8ths.	1-4th.	1-8th.	4,293,164	64,124
1823	4-9ths.	5-8ths.	5-9ths.	3-8ths.	3-4ths.	7-8ths.	1-4th.	1-8th.	4,479,448	67,303
1824	5-8ths.	5-8ths.	3-8ths.	3-8ths.	3-4ths.	7-8ths.	1-4th.	1-8th.	6,274,069	95,267
1825	4-7ths.	7-13ths.	3-7ths.	6-13ths.	3-4ths.	5-6ths.	1-4th.	1-6th.	8,755,309	121,976
										Fraction 4
									£36,199,531	£536,918
									Nominal amount of Notes Stamped in seven Years.	Duty actually Paid on Notes Stamped in seven Years.

EXTRACT FROM "GUARDIAN AND PUBLIC LEDGER."

"By the evidence, now undergoing the process of being printed, a most extraordinary exposition is given of the financial operations of the Bank and the government, which led to the panic in 1825, and the suppression of small notes in 1826. Lord Liverpool, it will be recollected, was prime minister at that period, and the present illustrious Lord Goderich Chancellor of the Exchequer. When the panic had worked its devastation, every one was anxious to learn what had caused it. *The ministerial explanation* was at length given, and it amounted to this, namely, *that undue speculation had been encouraged, and the currency deranged, by the artful and dishonest practices of the country bankers.* This was a grave and serious charge, which many persons believed to be well founded; and as a proof that *ministers wished the public to adopt their belief, they instantly consigned the offending parties to ruin.* The majority survived the blow thus aimed at their credit; but *upwards of a hundred* less prepared, *were compelled to stop payment, encounter the dishonour,* and *bear with the calumny, although many of them were in possession of property and securities equal to forty shillings in the pound.*

"The country bankers indignantly denied the charge, retaliated upon the government, boldly accused his Majesty's ministers of being the sole authors of the panic, and, in order to establish their charge, demanded an inquiry into the affairs of the Bank of England. From that time to this, it has only been a war of opinion—the evidence could not be procured—*the Bank kept its secret, and the Government theirs.*

"Now, however, at this late hour, the truth, like murder, has come out! The evidence, now about to see the light, gives us a most instructive history of that memorable period. But in order to render it intelligible we must go back from 1826 to 1822.

"The year 1822 was one of great distress. The agricultural party, then more powerful than at present, were bombarding the Treasury with strong and angry remonstrances. The farmers were on the brink of ruin. The impending change in the currency had taken effect—prices were unusually low, cattle were unsaleable, rents could not be paid. In this dilemma the government of Lord Liverpool applied to the Bank for advice and assistance. After much deliberation, it was resolved to avert the effects of the Currency Bill, and increase the amount of circulating money by an increased issue of Bank paper. *Four millions were applied to this purpose. The Bank bought Exchequer Bills, discounted most freely, and negociated loans, under the special direction of the government, so that in* 1823 *not less than four millions had been added to the circulation.* Let it not for a moment be forgotten that this increased issue of paper was forced upon the Bank by the Liverpool administration. The effect of it was salutary in the highest degree. It answered the expectation of all parties. The gloom was speedily dispersed—industry revived—prices rose—the warehouses were cleared of their manufactures, and before 1824 the nation was restored to a most desirable state of prosperity. In the beginning of 1825 the prosperity of the country had still further advanced. In the spring of that year, Mr. Robinson, now Lord Goderich, submitted his famous budget, and told us that all the interests of the empire were in a flourishing condition—that the demand was greater than the supply—that the laborer was happy and contented, and the sunshine of prosperity beaming upon us, '*through the portals of our ancient institutions.*'

"About the *month of August*, however, in that famous year, the Bank began to feel alarmed for the consequences. The *exchanges* had *turned against us*—the mania of *speculation* raged—*foreign loans were contracted*—and *the coffers of the Bank began to exhibit a beggarly account of empty boxes.* In short, the gold was fast leaving the country. It is in evidence, as will hereafter appear, that in the *month of September,* 1825, the *whole amount of Bullion in the Bank*—and by bullion we mean coined and uncoined gold and silver of every sort—*did not exceed £1,300,000.* In this dilemma the Directors consulted the Ministers, apprised them of their apprehensions, and intimated the course which necessity, policy, and *self-preservation imposed upon them. They sold Exchequer Bills* to a large amount—to so large an amount that they fell to 5s. discount. *Government* were *bound to relieve the*

Bank by taking up at *least six millions of these bills*, and the usual period for doing so had arrived. The *payment* was *deferred* for *a week;* and at last *the government* were compelled to *declare that they were unable to meet them.* Here, then, was a struggle—remember, reader, *all this in evidence*—whether the government or the Bank should first commit an act of insolvency. *Had the Bank purchased these Bills, without diminishing their discounts* to an equal amount, *their ruin would have been inevitable;* and *had the government* been *compelled to receive them, they must have stopped payment.* The *Ministers* first *compelled* the *Bank* to *increase its issues*, and *when these were returning upon them*, and their *gold disappearing*, the government not only refused to assist them, but further compelled them to re-purchase those very bills for which the government could not provide. *The consequences were that, in order to meet the necessities of the ministry, the Bank was obliged to withdraw six millions of money from the business and trading circulation of the country.*

"But this was not the worst part of the transaction. *When the Bank had drained the country*, and *been drained herself*, in order to meet the exigencies of the government, and was reduced *to the most helpless state*, the ministers refused to afford her even the slightest relief. It is a fact—stated in evidence by a Director—that *in November, or the beginning of December*, 1825, *the Bank coffers were so exhausted—so 'miserably low,'—that the amount of coined and uncoined gold and silver did not exceed One Hundred Thousand Pounds!* She was drained to her last sixpence almost—the panic was at its height—her doors were besieged by applicants from all parts of the country imploring assistance. *The most undoubted securities were offered for a small supply of gold in any shape, or silver in any shape, but none had she to spare.*

"At this last crisis, when *six hours* more of the *run* would have *compelled them to close their doors*, the Directors made another appeal to the government. They depicted their desperate condition—detailed the embarrassment of all classes—*the tide of ruin that was rolling over the country, and demanded a temporary suspension of cash payments.* This was *positively refused.* Mr. *Huskisson* was consulted, and gave them this advice,—'*Stick up*,' said that great statesman, '*a paper on the doors of the Bank, intimating your situation, and informing the public, that although you cannot pay in gold for the present, yet that in the course of a few weeks you will be fully prepared to meet all demands!!!*'

"We pledge ourselves that these are, as nearly as possible, the precise words uttered by Mr. Huskisson. The artful advice was indignantly rejected by the Directors. They had one resource left, but one which they had never contemplated taking advantage of; and one withal which it was fortunate for them the law still permitted them to employ. *They had a supply of unused one pound notes.* They issued these—*lent them to the country bankers*—and *by means of these condemned notes, and these alone, they preserved their own credit, and saved the country.*

"Here, then, the wickedness of the government in 1825 and in 1826 is rendered apparent. They first force upon the Bank the payment of bills which they themselves could not meet, and drain the country to preserve their own credit—they, in order to save themselves from ruin, attempt to involve the Bank in ruin; and when both are extricated, almost by a miracle, they turn round with shameless effrontery, and charge the consequences of their own perfidy and folly *to the account of the country bankers!* From the evidence which has transpired before this Secret Committee—the evidence of Bank Directors, and others of undoubted credibility, and which will be in every man's hands before many days—from this evidence, we say, we have no hesitation in asserting, that the ministry of Lord Goderich were the sole authors of the measures which led to the panic of 1825, and the sole authors of the calamitous consequences which followed—the effects of which the nation still feels, and will continue to labor under, till a far different kind of policy is pursued from that at present in operation."

EXTRACT FROM "THE COURIER."

The first step towards the amendment of our existing monetary system, is to ascertain where the principal evil of it lies. Let any man take the evidence of the witnesses examined by the Bank Committee, and judge for himself. In the table of the quantity of bullion held by the Bank of England at different consecutive periods, and of its concomitant liabilities, it will be seen that the embarrassments of 1816, the convulsion of 1822, and the panic of 1825, were clearly owing to the contraction of the circulation on the part of the Bank.

From 1797 to the present time, the country has been unceasingly exposed to the disastrous operation of the unavoidable fluctuations of the issues of the Bank of England.

In 1816, general and severe distress prevailed throughout the country.

In 1816, the amount of the circulating medium was prospectively reduced by the Bank in anticipation of Peel's Bill.

In 1817 and 1818 the distress generally ceased.

And why? because——

In 1817 and 1818, Peel's Bill being suspended, the circulation was increased.

In 1819, 1820, 1821, and 1822, the country was again plunged into a state of extreme distress.

In 1818 was passed Peel's Bill, enforcing the return of a bullion circulation in 1823; and obliging the Bank to reduce its circulation in preparation for payments in metals. This reduction of the circulation continued till 1822.

In 1823 the distress was checked, and its pressure suspended till 1825.

In 1822 Lord Londonderry checked the operation of Peel's Bill, so as to suspeud its operation for three years.

At the end of the three years,—the latest period to which the death-blow of Peel's Bill to the industry and the welfare of the country was suspended,—came the grand crash, in 1825, which has been distinguished as the year of the panic. Anc what has been the condition of the country since? What, but a series of disturbances, insurrections, sackings of towns, rural burnings; in short, a state of irritable discontent ever verging on outbreaking and insurrection.

The alternation of [illegible] and checks to the operations of industry produced by the fluctuating issues of the Bank of England, has produced a general feeling of the total insecurity and hazard of all mercantile, manufacturing, and agricultural transactions. Capital lies dormant for want of confidence in its distribution. No care, no judgment, no precaution, has been able to guard against the sudden depreciations and losses resulting from a fluctuating amount of the circulating medium, of the sudden increase or diminution of which no one has been able to form even a conjecture. Hence has arisen the general stagnation of every branch of trade, the dearth of employment, and the inadequate wages of labor. A financial cholera has been paralyzing all the operations of industry, and has kept the body politic in a state of unceasing and terrible convulsion.

EXTRACT FROM "THE MARK LANE EXPRESS'" CORRESPONDENT, AGRICOLÆ.

In Mr. Palmer's evidence, we have the reluctant admission of what every writer of common sense has constantly insisted upon, namely—that the alternate contractions and expansions of the Bank issues, have always produced a corresponding depression and rise in *prices*. The most important question we meet with touching this part of the subject, is the following: "Must not the alterations which take place in your extension or contraction of your circulation, keep the prices in this country in a state of constant change and revolution?" Answer—"*If* there be frequent contractions and expansions, there *may* be frequent fluctuations of prices." *If* there be—much *mischief* (as well as virtue) in an *if*. Now, *if* Mr. Palmer's mind be not made up as to this point, and that he still lacks conviction of the Bank of England having been one of the great auxiliary causes (Peel's Bill of course being the primary one) I beg to refer him to the first four, (as well as several subsequent numbers) of your journal, in which I have demonstrated, from authority which defies contradiction, that from the middle of last century to the first quarter of the present, the frequent *contraction* of the *bank issues* always brought with it national calamity, while the subsequent *expansion* has invariably produced a contrary effect.

But in Mr. Ward's evidence there is one question, the reply to which is extremely valuable, as establishing this position in reference to Agriculture. Mr. Ward is reminded of the decision of the Government in 1822—that sunless year in the farmer's calendar—when an additional 4,000,000 of bank notes were put into circulation with a view to revive speculation and restore the prosperity of the country; and is asked whether he did not consider that by such an increase much good effects would result? Mr. Ward says—"I recollect distinctly many of the circumstances referred to. Government had at that time received many complaints relating to the agricultural distress, and the depression of prices; and I think the price of wheat was at one time as low as 37s., [per quarter], the average for the year was as low as about 43s. My own opinion is, that whatever circumstances were in operation, *one of the most unfavorable circumstances that occasioned the low prices, was the very low state of the aggregate currency of the country.* I stated in my former examination, that the amount of country notes which had been at 20,000,000, had become reduced in one year to 16,000,000, and had been then reduced to 11,000,000; and by the year 1821, it had been reduced to 7,000,000 sterling: the consequence was, that not only *prices were low*, but that a disinclination to transact business, and a great deal of positive evil existed; and *I think the agriculturists had a clear right to complain of that circumstance.* I think Government had a clear right to restore the prices, in some degree to relieve them from that depression, and I do not know any other means by which it could be done, than by giving them at least as good a currency, as full a currency, as was legitimate in connexion with the laws relating to currency. When the season of 1822 arrived, I think it was a very wise measure to try to stimulate prices; I believe that moderate speculation itself is a good rather than an evil; but that the difficulty is in regulating the degree. If persons, when once speculation is set a-going, carry it to a preposterous extent, they must take the consequences of it; but I do consider it beneficial to the country that there should be a certain degree of enterprise; and there was a great want of what I should call a legitimate degree of enterprise at that period, and a depression of price in consequence, of which I think the parties were *entitled to ask for relief.*"

Now I am aware it has been asserted by some, that the *country bankers*, by the large reductions occasionally made in their circulation, mainly contributed to the ruinous depression in prices, and consequent pressure on industry, which have occurred at different periods. But, in order to see how far this imputation is sustainable, let us, for a moment, contemplate the situation of this class of traders at particular epochs, and I think we shall discover that they were not deserving of the reproach.

Without going farther back, it may suffice to state, that by the 55th Geo. III., c. 6, one pound notes had been continued until 25th March, 1826; that by the 56th Geo. III., c. 21, (1816,) one-pound notes were allowed to circulate "until two years *after the resumption of cash payments by the Bank of England;*" and by the 3d Geo. IV., c. 70, the circulation of one-pound notes was continued until the 5th of January, 1833. Now, the country bankers, relying on the good faith of Parliament, and on the avowed intentions of his Majesty's Government, namely, that the 5th of January, 1833, *would be* the final period for the circulation of one-pound notes, made their arrangements accordingly.

This, be it remembered, was the state of the law until the end of 1825. Country bankers, of course, continued to issue one-pound notes in their respective districts, as the trade of those districts required, always keeping in view the period (January, 1833), when, according to Act of Parliament, they were no longer to be issued. But in February, 1826, to the great dismay and surprise of the provincial bankers—His Majesty's Ministers announced it to be their intention to *shorten the period* for issuing one-pound notes, from 1833 to 1829! Country bankers were in no way consulted upon this occasion. No Parliamentary inquiry was entered upon to ascertain whether the wants of the public would be interfered with, or the *regular employment of the people* interrupted by such a sudden alteration—or whether a supply of gold could be *ensured* equal to the amount of notes to be withdrawn in England and Wales. The period of 1829, however, being thus fixed upon by his Majesty's ministers, those country bankers who had not a sufficient quantity of stamps by them to keep up their issues until that period, applied to the Stamp Office for the needful supply. But here an unexpected impediment was raised against their application. His Majesty's ministers, by an official letter addressed to the Commissioners of Stamps, *forbade them to issue any stamps for one-pound notes to any country banker whatsoever;* thus anticipating, on their own responsibility, the prohibition intended to be included in their Act of Parliament.

By this extraordinary proceeding, country bankers were severally placed in different relative situations. Those who had by them a sufficient stock of stamps, were enabled to prepare to issue one-pound notes until 1829—whilst those who had relied upon the law of the land as it previously stood, to procure, as occasion might require, the needful supply of stamps *were disabled from making any further issues;* at the same time the New Act of Parliament made it lawful for all country bankers *indiscriminately* to *continue* the issuing of one-pound notes until 1829. The natural consequence of thus "tampering with the currency," and the harsh proceedings of these ministers was, to precipitate the *payment* of one-pound notes, and indeed notes of all amounts. But what rendered this state of things more oppressive to the country banker was, the culpable negligence of the Government in not ensuring an adequate supply of gold to be given in exchange for the notes thus driven in upon their respective issuers. Nay, it is notorious to all connected with banking business at that period, that when some of the country bankers who were possessed of the most ample funds in Bank of England notes, applied to the Bank of England for *gold in exchange for them,* they were informed that *the Directors had not gold enough to take them up!* The Bank Directors, moreover, informed the London bankers of their *inability* to pay all their notes in gold, and requested that country bankers might be prevailed upon to take small bank notes into the country, and not press them for gold. All this, be it remembered, was passing at the very time when the law required the Bank Directors *equally* with the country bankers to pay all their notes *in gold on demand.* The country bankers exercised the most honorable forbearance towards the Bank of England, and *took their small notes instead of gold.*

Printed by Joseph Rogerson, Old Boswell Court, London.